

Message Text

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17

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E.O. 11652: NA

TAGS: BEXP YO

SUBJ: KOSOVO THERMO POWER PROJECT

1. WE UNDERSTAND FROM WESTINGHOUSE REGIONAL REP THAT WESTINGHOUSE-BABCOCK AND WILCOX TEAM DUE HERE ON OR ABOUT JAN 15 HAS HAD ITS ARRIVAL DELAYED. DELAY HAS BEEN CAUSED BY NEED FOR DETAILED REVIEW OF PROJECT BY YUGOSLAV BANKS, ATTITUDE OF IMPORT AGENT INVEST-IMPORT WHICH KEEPS TELLING CUSTOMER THAT THERE NO NEED FOR HASTE, AND DISCUSSIONS OVER US BIDDERS' WISH FOR UNLIMITED ESCALATION CLAUSE WHICH BOTHERS CUSTOMER, INVEST-IMPORT AND BANKS ALIKE. WESTINGHOUSE REP BELIEVES THAT AGREEMENT ON COMMERCIAL AND TECHNICAL DETAILS OF PACKAGE NEAR AND BELIEVES PRESSURE FOR SIGNATURE OF LETTER OR INTENT BY JAN 31ST SHOULD BE MAINTAINED, THOUGH THIS MAY BE UNREALISTIC.

2. REMHK-KOSOVO HAS DELAYED PREPARATION OF FINANCIAL ANALYSIS OF US BIDS WHILE NEGOTIATIONS WERE STILL FLUID. KOMBINAT EXPECTS TO COMPLETE ANALYSIS BY JAN 22 AND WOULD LIKE REACTION FROM YUGOSLAV BANKS BY JAN 26. BANKS PREOCCUPIED, HOWEVER, OVER NEED TO COMPLY WITH STRICT PROVISIONS OF LAW PASSED LAST JUNE TO PREVENT UNCOVERED INVESTMENTS, SINCE ADEQUACY OF FINANCIAL PACKAGE MUST BE JUSTIFIED TO SOCIAL ACCOUNTING SYSTEM. NEXT STEP MAY BE SENDING OF DELEGATION TO US WEEK OF JAN 26 TO REVIEW TERMS OF FINANCIAL PACKAGE WITH EXIM AND COMMERCIAL BANKS. IN ADDITION TO BANKERS, YUGOSLAV DELEGATION WOULD INCLUDE BERISA, SURLA AND KADOVIC OF REMHK KOSOVO, SAVIC OF INVEST-IMPORT AND KOSTIC OF PROGRES.

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3. ATTITUDE OF INVEST-IMPORT IS IMPORTANT SINCE YUGOSLAV LAW RE-

QUIRES IMPORT AGENT TO APPROVE CONTRACT. INVEST-IMPORT IS
REFUSING TO CONSIDER SIGNING LETTER OF INTENT UNLESS US BIDDERS
DISCLOSE FULL DETAILS OF THEIR PRICING. WESTINGHOUSE REP
UNCERTAIN WHETHER THIS RECALCITRANCE STEMS FROM INVEST-IMPORT'S
GENERAL ZEAL IN EXERCISING RESPONSIBILITY
TO SECURE MAXIMUM CONCESSIONS FOR CUSTOMER OR FROM A WISH FOR
FURTHER CONSIDERATION OF COMPETITIVE OFFERS, PARTICULARLY
FRENCH. THE FRENCH, WHO ORIGINALLY HAD OFFERED TWO TURBOGEN-
ERATORS, HAVE NOW REPORTEDLY OFFERED ONE COMPLETE 300 MW
UNIT (CEM TURBOGENERATOR AND STEIN BOILER) PLUS FINANCING
FOR LOCAL COSTS. THEY INDICATED WILLINGNESS TO FINANCE A SECON
UNIT IN 1977 AND ALSO TO COOPERATE WITH CZECHS SHOULD YUGOSLAVS
PREFER SKODA TO STEIN BOILERS. IT WILL BE RECALLED THAT REHMK-
KOSOVO REFUSED TO ACCEPT SIMILAR PROPOSAL FROM US BIDDERS,
AND ENTERPRISE REPORTEDLY ALSO REJECTED FRENCH OFFER, BUT INVEST-
IMPORT MAY NOT YET BE PREPARED TO EXCLUDE CEM.
SWEITZER

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